



CIRCLE ENERGY INC.

1997 Annual Report

Shareholders: Please note the following excerpt from an announcement made May 14, 1998:

Winthrop Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Circle Energy Announces Outstanding Drilling Results at Brazeau River and Success at the Brazeau River Land Sale

Circle Energy Inc. today announced a major discovery at Brazeau River. The well is capable of producing a sustained 10 million cubic feet of natural gas plus 250 barrels of natural gas liquids per day from the Shunda zone. Circle will net approximately 4 million cubic feet of natural gas plus 100 barrels of natural gas liquids per day. Including the recently announced success at Morinville, Circle is now capable of producing 5 million cubic feet of natural gas and 100 barrels of natural gas liquids per day (for a total of 600 barrels of oil equivalent per day). Potential annualized cash flow is \$2.7 million (netback gas price \$1.25/mcf), subject to pipeline capacity and plant facilities. The Morinville and Brazeau River wells are scheduled to be on production by June 1, 1998. The Company recently participated in the purchase of additional lands at Brazeau River. This has the potential to dramatically increase reserves and cash flow.

To receive this press release in its entirety please contact Circle Energy Inc.

(address on inside back cover).



Circle is committed to being a high reward exploration company. Our primary objectives in 1997 were to expedite and advance our existing drilling opportunities, increase our technical database and strategically increase our land position. Our substantial underlying value continues to increase.

Four wells of our 10-well drilling program have been drilled. We have been successful in three out of four gas wells, which are capable of producing up to 5 million cubic feet of gas per day plus 100 barrels of natural gas liquids per day. Once tie-ins are complete, annualized cash flow from phase one is estimated to be up to \$2.7 million (netback price gas \$1.25/mcf), subject to pipeline capacity and plant facilities.

Phase two of our drilling plan will begin after break-up and will include a low risk gas well, an exploration reef prospect and a development well at Brazeau River targeting a Nisku reef. The Nisku reef prospect has been defined by 3D seismic and if successful will be one of the most outstanding wells drilled in Alberta in 1998. This well has the potential to net Circle 10 million cubic feet of natural gas plus natural gas liquids (1,000 barrels of oil equivalent) per day.

Phase three and four to begin in August, 1998 will include drilling high potential oil and gas wells in central Alberta and New Mexico. The Alberta prospects are based on 3D seismic and are ready to drill subject to operational priorities. The Ranger Lake South, New Mexico 3D seismic program was completed ahead of schedule. Drilling priorities at Aylsham, Bounty and Ranger Lake will be finalized in July. Our confidence in New Mexico is based on the quality of our prospects, higher U.S. gas prices and our operating partner, Harvard Petroleum Corporation, headquartered in Roswell, New Mexico.

The fundamentals of Circle are extremely positive. We have the internal resources and strategic alliances to compete with larger companies. Our land base, seismic information, and drilling opportunities are exceptional. In 1998 the Company's underlying value will be recognized.

On behalf of the Board of Directors, I wish to acknowledge the outstanding performance demonstrated by our management team throughout 1997. Our achievements in 1997 and the opportunities for the future are a direct result of their commitment.

I would like to thank our shareholders and the investment community for your ongoing support. If you have any questions please call me at (403)777-1925.

Yours truly,

C.W. (Bill) Baker
President & CEO



Alberta

Well #1, Golden Spike, Alberta

The Company has a 28 percent working interest in a successful Ellerslie well drilled in September 1997. Another well will be drilled on an adjacent section in the second quarter of 1998 and both wells will be tied-in to a nearby pipeline. This drilling program is estimated to net the Company 500 thousand cubic feet of gas per day.

Well #2, Hackett, Alberta

In September 1997 the Company participated in a gas well at Hackett, Alberta that was drilled and abandoned. We had a 25 percent working interest in this well.

Well #3, Brazeau River, Alberta

Located in west central Alberta, the Brazeau River area is an outstanding oil and gas area that continues to be one of the hottest exploration regions in the province. The Company shot a 3D seismic program at Brazeau River in the third quarter of 1997 and drilled and cased a well to the base of the Shunda zone in December 1997. Circle has a 41.5 percent working interest before payout, 24.9 percent after payout. This well is capable of producing 10 million cubic feet of natural gas plus 250 barrels of natural gas liquids per day. Circle will net approximately 4 million cubic feet of natural gas and 100 barrels of natural gas liquids per day, subject to availability of pipelines and plant facilities. This well will be tied-in by June 1998.

Well #4, Morinville, Alberta

In 1997 the Company acquired a 50 percent working interest in 640 acres in the Morinville area, located in central Alberta. The Company licensed a well in December, but did not spud the well until March 1998 due to rig availability. This well was tied-in mid-May, 1998, netting Circle approximately 1 million cubic feet per day (100 barrels of oil equivalent).



Alberta

Brazeau River

The Company is licensing a very high potential gas condensate well targeting the Nisku reef. Circle has a 75 percent working interest before payout and 52.5 percent after payout. This is a development well that has the potential to net Circle 10 million cubic feet per day. Cash flow is estimated at \$4.5 million per year with long-term reserves. Drilling is planned for June 1998.

Golden Spike

Circle has a 28 percent working interest on a section of land adjacent to the previously drilled well. The second well will be drilled in the second quarter and if successful we will tie-in both wells.

Reef Prospects

The Company is committed to drilling a high potential reef prospect in the second quarter of 1998. Seismic has been completed, land has been acquired and licensing is underway. Due to competition for land we will not be disclosing the location.

Other reef prospects are being licensed for drilling in the third quarter of 1998.

Waskatenau

The Company has a 100 percent working interest in 6,720 acres in the Waskatenau area, located in central Alberta. The Company shot two square miles of 3D seismic in 1997 to further define several prospects. Drilling locations have been identified targeting oil and natural gas in high potential Leduc and Nisku reef structures. Drilling is planned for the second or third quarter of 1998.

Saskatchewan

Central Saskatchewan

The Company acquired 12,000 net acres in 1996. A junior oil and gas company completed an exploration program in 1997 on adjacent lands. All options are currently being considered.

New Mexico

Our confidence in the United States is based on the quality of our prospects, higher U.S. gas prices and our operating partner, Harvard Petroleum Corporation.

In 1997, the Company purchased the proprietary database, including source rock studies, seismic, logs, well files and engineering evaluations, from 1980s exploration programs undertaken at Aylsham and Bounty.

Ranger Lake

In 1997 the Company acquired a 37.5 percent working interest in 1,440 acres in the Ranger Lake South area of Lea County, New Mexico. This joint venture with New



Mexico based Harvard Petroleum Corporation is targeting a Siluro Devonian and a Permo Pennsylvanian structure. A 3D seismic program has been completed and drilling locations will be finalized in July. An analogous field has produced 10.4 billion cubic feet of gas and 1.1 million barrels of oil from the Siluro Devonian and 5.5 million barrels of oil and 6.5 billion cubic feet of gas from the Permo Pennsylvanian. The Company plans on drilling a well in the third quarter of 1998.

Aylsham

The Company has an 80 percent interest in 24,500 acres in Quay County. One hundred miles of proprietary 2D seismic and well-bore data have identified twenty prospects and leads. The property is analogous to the Potter Field in west Texas where 27 wells have produced 13 million barrels from six separate pools. Analysis of existing logs and well information by an independent log analyst assigned more than 700,000 barrels of reserves per 160 acres. This project has the potential for 12 million barrels of reserves and a drilling program is scheduled for the fourth quarter of 1998.

Bounty

The Company has an 80 percent interest in 15,400 acres in Guadalupe County which contains four wells, drilled in the early 1980s, that tested substantial quantities of natural gas and natural gas liquids. One of the original wells produced a drill stem test rate of 2.7 million cubic feet of natural gas and 50 barrels of condensate per day. The Company acquired an extensive database, which confirms that these wells were damaged during drilling and testing and that significant commercial gas reserves could be brought on production using a combination of under-balanced and horizontal drilling techniques. The Company is currently licensing a well for the third quarter, to a target depth of 2133 metres (7,000 feet), which will offset one of the previously drilled wells.

Newkirk

The Company has a 50 percent working interest in 5,300 acres in Guadalupe County. Reserve reports state that there are between 37 and 60 million barrels of oil in place. Extensive technical evaluations estimate that six to 10 million barrels of oil are recoverable using state-of-the-art drilling and production techniques. Development of this play is delayed due to the current heavy oil market.

Texas

Delaware

The Company is participating with Harvard Petroleum Corporation in an optimization program that will utilize high-volume lift techniques to substantially increase oil production from the Cherry Canyon reservoir in Loving County, Texas. If successful, this project has the opportunity to lead to additional projects in the area. Utilizing Harvard's expertise in the area we will continue to seek cash flow enhancement opportunities that are structured to be capital self-sufficient.



During 1997 the Company raised \$2,236,860 in gross proceeds from two share capital issues (Note 4). Of these proceeds, \$1,925,160 is attributable to flow-through shares with the full amount renounced as qualifying expenditures for the 1997 tax year. The Company has until December 31, 1998 to incur these expenditures, of which, \$1,137,179 had been incurred at December 31, 1997. We are confident that our exploration and development program for 1998 will meet or exceed this renouncement.

Capital expenditures for the year were \$1,717,051. The Company invested \$1,308,510 of this amount in Canada with the drilling of four wells, of which three were successful gas wells, and undertaking various seismic programs and land acquisitions in the development of our current exploration prospects. \$408,540 was invested in the United States with the majority directed toward our Ranger Lake prospect.

At December 31, 1997 and 1996 the Company had no debt and working capital of \$178,188 and \$338,619 respectively.

Revenue for the year was \$4,784, comprised mainly of interest income, compared with \$342,167 in 1996. The main reason for the decline in revenue relates to the April 1, 1996 sale of the Company's producing properties from which it received \$181,813 in net production revenue in 1996. Subsequent to this sale through December 31, 1997 the Company's focus has been on building a high quality asset and prospect base.

Expenses for the reporting period were \$435,350 consisting almost entirely of general and administrative expense. General and administrative expense increased by \$143,279 over 1996 due to the higher corporate activity levels required in the development of our asset base and to support the two financings undertaken in the year. The areas of greatest increase were general engineering services, land services, legal, travel and corporate communications.

The Company wrote off \$76,895 of capital assets relating primarily to an exploration well (net 25% interest) drilled and abandoned during the third quarter. \$459,376 of capital assets were written off in the comparable period of 1996.

Subsequent to year end the Company obtained a revolving credit facility of \$500,000 bearing interest at the bank prime rate plus 1% with interest payable monthly. Availability of the facility reduces \$56,000 per quarter, commencing September 30, 1998. The facility is secured by a first fixed and floating charge debenture on all petroleum and natural gas properties of the Company. In addition, the Company received a \$150,000 unsecured promissory note from an officer of the Company. The unsecured promissory note bears interest at prime plus 1/2% and does not have set terms of repayment.



We have audited the consolidated balance sheets of Circle Energy Inc. as at December 31, 1997 and 1996 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants

K P M G

Calgary, Canada

March 6, 1998

(Except for notes 1 and 8, which are as of April 23, 1998.)

Consolidated Balance Sheets



CIRCLE ENERGY INC.

December 31, 1997 and 1996

	1997	1996
Assets		
Current assets:		
Cash and term deposits	\$ 706,343	\$ 326,939
Accounts receivable	288,850	39,162
Prepaid expenses	2,513	5,368
	997,706	371,469
Capital assets (note 3)	1,573,167	462,793
	\$ 2,570,873	\$ 834,262
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 819,518	\$ 32,850
Shareholders' equity:		
Share capital (note 4)	2,674,774	1,217,370
Deficit	(923,419)	(415,958)
	1,751,355	801,412
Future operations (note 1)		
Commitments (note 7)		
Subsequent events (note 8)		
	\$ 2,570,873	\$ 834,262

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Operations and Deficit



CIRCLE ENERGY INC.

Years ended December 31, 1997 and 1996

	1997	1996
Revenue:		
Oil sales	\$ —	\$ 257,562
Royalties	—	(75,749)
Consulting and other income	4,784	160,354
	4,784	342,167
Expenses:		
Operating	—	57,485
General and administrative	430,233	286,954
Interest	—	32,549
Depletion, depreciation and amortization	5,117	48,279
	435,350	425,267
Loss before undernoted	(430,566)	(83,100)
Gain on disposal of capital assets		393,090
Write-off of capital assets	(76,895)	(459,376)
Loss before income taxes	(507,461)	(149,386)
Income taxes (note 5):		
Current (recovery)	—	(1,408)
Deferred (reduction)	—	(16,000)
	—	(17,408)
Loss for the year	(507,461)	(131,978)
Deficit, beginning of year	(415,958)	(283,980)
Deficit, end of year	\$ (923,419)	\$ (415,958)
Loss per share (note 6)	\$ (0.05)	\$ (0.01)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position



CIRCLE ENERGY INC.

Years ended December 31, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (507,461)	\$ (131,978)
Items not involving cash:		
Depletion and depreciation	5,117	39,442
Amortization of deferred financing costs	—	8,837
Deferred income taxes	—	(16,000)
Gain on disposal of assets	—	(393,090)
Write-off of capital assets	76,895	459,376
Funds provided by operations	(425,449)	(33,413)
Change in non-cash operating working capital:		
Accounts receivable	(249,688)	2,587
Prepaid expenses	2,855	(5,368)
Accounts payable and accrued liabilities	786,668	(84,174)
Income taxes	—	(16,000)
	114,386	(136,368)
Financing:		
Loan payable	—	(822,000)
Issue of share capital	1,982,069	1,033,475
	1,982,069	211,475
Investments:		
Additions to capital assets	(1,717,051)	(975,909)
Proceeds on disposal of capital assets	—	1,207,537
	(1,717,051)	231,628
Increase in cash	379,404	306,735
Cash and term deposits, beginning of year	326,939	20,204
Cash and term deposits, end of year	\$ 706,343	\$ 326,939

See accompanying notes to consolidated financial statements.



Years ended December 31, 1997 and 1996

1. Future operations:

During December, 1997, the Company completed a public offering of Common Shares (see note 4) for gross proceeds of \$1,000,800 and commenced the development of certain of its Canadian properties. Pursuant to this public offering and private placements earlier in the year, the Company had obligations to expend and renounce qualifying expenditures of \$1,925,160 by December 31, 1998. As at December 31, 1997, the Company had incurred qualifying expenditures of \$1,137,179 and had working capital of \$178,188.

In 1998, the Company has continued to explore and develop its Canadian properties and expects that production will commence from these properties during May, 1998. The Company's external reservoir engineers have assigned proved reserves to these properties with an estimated recoverable value in excess of the carrying value at December 31, 1997. In addition, effective April 1, 1998, the reservoir engineers have assigned proved non-producing reserves on the properties being developed in 1998. Additional funds are required to complete and equip the initial wells, to continue the development of the Company's properties and to incur sufficient expenditures to meet its obligations under the flow-through share arrangements. Subsequent to December 31, 1997, the Company has arranged a loan from an officer of \$150,000 and a \$500,000 credit facility with a bank (see note 8). The Company is considering various alternatives to obtain the additional funds necessary to meet its obligations as they come due, to continue its exploration and development program and to cover administrative expenditures.

2. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Circle Energy Corp., a company incorporated in the State of Nevada.

(b) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs of exploring for and developing petroleum and natural gas reserves, net of related government grants, are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, interest costs on unproved properties, and overhead charges directly relating to acquisition, exploration and development activities.

Costs of acquiring and evaluating unproved properties are initially excluded from costs subject to depletion. Unproved properties are assessed regularly to ascertain whether impairment should be added to costs subject to depletion.

Capitalized costs including the costs of production equipment, are depleted and depreciated on the unit-of-production method based on the estimated net proved reserves before royalties as determined by the Company's independent petroleum engineers. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content.

**2. Significant accounting policies (continued):**

Depreciation of office equipment is provided on the declining balance method at the rate of 20%. Computer equipment is depreciated on the declining balance method at a rate of 33-1/3%.

Total capitalized costs less accumulated depletion and depreciation, cumulative provisions for site restoration costs and deferred income taxes are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost, net of impairments, of unproved properties, less estimated future general and administrative expenses, financing costs, site restoration costs and income taxes.

Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Future site restoration costs are provided on a unit-of-production basis. These costs are based on year end estimates of anticipated costs of site restoration. Actual restoration costs are charged to the site restoration provision as incurred.

(c) Joint interest operations:

A significant portion of the Company's exploration and production activities are conducted jointly with other entities and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

(d) Flow-through shares:

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The portion of the share issue price relating to the tax benefit renounced is credited to capital assets.

3. Capital assets:

	1997	Cost	1996	1997	Net	1996
Petroleum and natural gas properties						
Canada	\$ 931,028	\$ 239,370	\$ 931,028	\$ 239,370		
United States	623,420	216,929	623,420	216,929		
Office equipment	31,667	14,325	18,719	6,494		
	\$ 1,586,115	\$ 470,624	\$ 1,573,167	\$ 462,793		

As at December 31, 1997, costs of the Company's petroleum and natural gas properties in the United States relate to undeveloped properties. The recoverability of these amounts is dependent upon the discovery, development and production of a sufficient quantity of economically recoverable reserves.

As at December 31, 1997, costs of the Company's petroleum and natural gas properties in Canada are supported by proved reserves and an estimated recoverable value in excess of the carrying value.

Effective April 1, 1996, the Company disposed of all of its producing petroleum and natural gas properties and related production equipment for proceeds of \$1,207,537 resulting in a gain on disposal of \$393,090.

**4. Share capital:**

(a) The Company's authorized share capital consists of: An unlimited number of common shares without nominal or par value. An unlimited number of preferred shares, issuable in series with rights, restrictions and privileges to be determined by the Directors of the Company.

(b) Issued and outstanding:

Common Shares	Number of Shares	Consideration
Balance, December 31, 1995	9,362,000	\$ 250,900
For cash on public offering	1,047,779	943,000
For cash on issuance of flow-through shares	150,000	150,000
Income tax value renounced	—	(67,005)
For cash on exercise of stock options	88,000	11,300
Issue costs	—	(70,825)
Balance, December 31, 1996	10,647,779	1,217,370
Public offering (i)	1,897,500	1,138,500
For cash on exercise of stock options	234,000	28,400
Issue costs	—	(168,524)
Common shares, December 31, 1997	12,779,279	2,215,746
Proceeds received on private placement (ii)	162,500	97,500
Proceeds received on special warrant offering (iii)	1,668,099	1,000,860
Issue costs	—	(114,667)
Income tax value renounced	—	(524,665)
Common shares and Special Warrants Units	14,609,878	\$ 2,674,774

- (i) The Company completed a public offering of both flow-through common shares and common shares. Total proceeds from the offering were \$1,138,000 comprised of 1,378,000 flow-through common shares and 519,500 common shares. Each of the 519,500 common shares has attached one common share purchase warrant with each warrant entitling the holder to acquire one common share at a price of \$0.75 per share until December 23, 1998. The agent was granted an option to acquire 189,750 common shares at an option price of \$0.60 per share until June 23, 1999.
- (ii) The Company completed a private placement of 162,500 special warrant units for proceeds of \$97,500. Each special warrant unit is convertible, for no further proceeds, into one flow-through share and one common share purchase warrant. Two common share purchase warrants entitle the holder to acquire one common share at a price of \$0.75 per share until July 31, 1998.
- (iii) The Company completed an offering of 1,668,099 special warrant units for proceeds of \$1,000,860. Each special warrant unit is convertible, for no further proceeds, into one flow-through common share and one common share purchase warrant. Two common share purchase warrants entitle the holder to acquire one common share at a price of \$0.75 per share until July 31, 1998. The agent was granted a Special Warrant Option for 139,177 units with an exercise price of \$0.60 per unit, expiring September 30, 1998.

**4. Share capital (continued):**

(c) At December 31, 1997, options for the purchase of 1,359,000 common shares (December 31, 1996 - 1,053,000) were outstanding at exercise prices ranging between \$0.10 and 0.65 per share, exercisable at various dates through to December 2002.

5. Income taxes:

The income tax provision differs from the income taxes which would result had the Company applied the statutory rate of 46.12% (1996 - 46.12%) to the loss before income taxes. The differences between expected and actual tax provisions are as follows:

	1997	1996
Loss before income taxes	\$ (507,246)	\$ (149,386)
Expected income tax expense (recovery)	(233,942)	(68,897)
Increase (decrease) in income tax expense resulting from:		
Non-deductible crown charges	—	32,640
Unrecognized income tax benefits	233,942	18,849
Actual income tax expense (recovery)	\$ —	\$ (17,408)

6. Per share information:

Per share information is calculated using the weighted average number of shares outstanding of 10,777,235 for the year ended December 31, 1997 (1996 - 10,238,165).

7. Commitments:

The Company is committed to payments under operating leases for equipment and building through 2002 in the amount of approximately \$227,490. Annual payments are:

1998	\$ 55,640
1999	46,585
2000	43,175
2001	41,045
2002	41,045

8. Subsequent events:

Subsequent to year end, the Company received a \$150,000 unsecured promissory note from an officer of the Company. The unsecured promissory note bears interest at prime plus 1/2% and does not have set terms of repayment.

Subsequent to year end, the Company obtained a revolving credit facility of \$500,000 bearing interest at the bank prime rate plus 1% with interest payable monthly. Availability of the facility reduces \$56,000 per quarter commencing September 30, 1998. The facility is secured by a first fixed and floating charge debenture on all petroleum and natural gas properties of the Company.


Share Information

- 14.6 million common shares outstanding
- 17.7 million fully diluted

Dilution Factors

	# Millions	Exercise Price
'A' Warrants (Special Warrants Offering) to July 31, 1998	.9	.75
Brokers Option (Special Warrants Offering) to September 30, 1998	.1	.60
Equity Unit B Warrants (Public Offering) to December 23, 1998	.5	.75
Brokers Option (Public Offering) to June 23, 1999	.2	.60
Stock Options	1.4	.10 - .65
Total	3.1	

Annual General Meeting

The annual meeting of the shareholders of Circle Energy Inc. will be held Thursday, June 18, 1998, at 10:00 a.m. in the President's Room, Calgary Petroleum Club, 319 - 5 Avenue S.W., Calgary, Alberta.

Corporate Information

Circle Energy Inc. is a public company trading on the Alberta Stock Exchange under the symbol CEN.

Officers and Key Personnel

C.W. (Bill) Baker, *President, Chief Executive Officer*

Geoffrey Bennett, C.A., *Vice-President & Chief Financial Officer, Secretary-Treasurer*

Ty Pfeifer, *Vice-President, Business Development*

Gordon Robinson, P.Eng., *Vice-President, Operations*

Directors

C.W. (Bill) Baker, *President & CEO, Circle Energy Inc., Calgary, Alberta*

William Bailey, P.Eng., *President, Bailey & Associates, Calgary, Alberta*

Gary Bosgoed, P.Eng., *President, Bosgoed Project Consultants, Regina, Saskatchewan*

Dr. Glenn Brown, Ph.D., *Senior Mining Analyst, Canaccord Capital Corporation, Toronto, Ontario*

Kirk Henderson, C.A., *Managing Director & Chief Operating Officer, Jim Pattison Group, Vancouver, British Columbia*

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Auditors

KPMG

Solicitors

Connor & Connor

Bankers

Hongkong Bank of Canada

Registrar and Transfer Agent

Montreal Trust



CIRCLE ENERGY INC.
1997 Annual Report